

Message Text

SECRET

PAGE 01 PANAMA 05080 01 OF 02 292346Z

72

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W

----- 102191

O 292047Z AUG 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC IMMEDIATE 1653

S E C R E T SECTION 1 OF 2 PANAMA 5080

STADIS //////////////////////////////////////

EXDIS

FOR BOWDLER FROM AMBASSADOR

E.O. 11652: GDS

TAGS: TRD, PN

SUBJECT: BANANA TAX DISPUTE

REFS (A) STATE 186831; AND (B) PANAMA 5045

1. BANANA DISPUTE HAS TAKEN A NEW, AND POSSIBLY MORE HOPEFUL, TURN IN LAST FEW HOURS. GENERAL TORRIJOS HAS PASSED HIGHLY CONFIDENTIAL AND PERSONAL MESSAGE TO ME THAT HE GENUINELY SEEKS SETTLEMENT AND EARLIEST RESTORATION OF PRODUCTION AND EXPORT OF FRUIT. HE RECOGNIZES THAT DISPUTE HAS BECOME HIGHLY POLITICAL--IN LARGE PART BECAUSE OF GOVERNMENT'S OWN TACTICS, ESPECIALLY METHODS USED BY MINISTER MANFREDO. HE ASKS AMBASSADOR'S AND US HELP IN TRYING FIND EQUITABLE SOLUTION. HE ASKS OUR AND COMPANY'S UNDERSTANDING OF HIS POSITION IN PERIOD IMMEDIATELY AHEAD WHILE SOLUTION BEING WORKED OUT. OUTLINE OF POSSIBLE APPROACH DESCRIBED IN SUBSEQUENT PARAGRAPHS.

2. LATE LAST NIGHT, GABRIEL LEWIS CALLED AMBASSADOR AT HOME TO SAY HE HAD IMPORTANT MATTER TO DISCUSS AND REQUESTING APPOINTMENT THIS MORNING. LEWIS, AS WE KNOW, IS BUSINESS-MAN AND HIGHLY TRUSTED CONFIDANT OF GENERAL. I AGREED MEET HIM AT RESIDENCE AND HAVE JUST RETURNED FROM THAT SESSION.

SECRET

SECRET

PAGE 02 PANAMA 05080 01 OF 02 292346Z

IT IS OF UTMOST IMPORTANCE THAT THIS EXCHANGE BE HELD IN

CLOSEST CONFIDENCE. MINISTER MANFREDO, WHO IS HIGHLY VOLATILE, IS STILL OSTENSIBLY PANAMA'S NEGOTIATOR ON BANANAS. BE BLEW HIS TACK EARLIER THIS WEEK WHEN HE FELT HE WAS BEING BYPASSED AS RESULT OF COMPANY'S CONTACT WITH LEWIS, FORCING GENERAL TO REITERATE HIS CONFIDENCE IN MANFREDO AND REAFFIRM HIS PRIMARY NEGOTIATING ROLE. IT IS CRUCIAL THAT WE KEEP THIS BACKGROUND IN MIND IN ASSESSING AND FOLLOWING UP ON LATEST APPROACH.

3. LEWIS OPENED DISCUSSION BY SAYING HE HAD BEEN SUMMONED BY GENERAL LAST NIGHT AFTER HE HAD RETIRED. HE DRESSED AND WENT TO GENERAL'S HOUSE AND IN FACT WAS WITH HIM WHEN HE CALLED ME AT HOME. HE SAID GENERAL WANTED ME TO KNOW THAT HE GENUINELY WANTED SETTLEMENT. BANANA IMPASSE HAD LASTED TOO LONG AND EVERYONE WAS SUFFERING. BUT HE FEELS THAT ISSUE HAS BECOME HIGHLY POLITICAL INTERNALLY AND HE IS DEALING NOT ONLY WITH SHORT-TEMPERS BUT IN SOME CASES WITH PEOPLE WHO DO NOT WANT A SOLUTION AT ALL.

4. TORRIJOS PUTS HIGHEST PRIORITY ON EARLIEST POSSIBLE RESUMPTION OF PRODUCTION AND EXPORT OF FRUIT FROM UNITED'S TWO DIVISION IN PANAMA (ATLANTIC AND PACIFIC-SIDE PLANTATIONS). HE PROPOSES THAT DURING BRIEF PERIOD AFTER RESUMPTION--LEWIS SAID NOT MORE THAN TWO WEEKS--COMPANY WOULD PAY EXISTING TAX OF \$1 A BOX BUT UNDER PROTEST AND RESERVING RIGHT TO JUDICIAL RELIEF AS IN ORTHER RECENT PAYMENTS. AT END OF THIS SHORT PERIOD, TAX WOULD BE REVISED SHARPLY DOWNWARD. TORRIJOS FEELS IT WILL TAKE HIM ABOUT TWO WEEKS TO EXPLAIN APPARENT REVERSAL TO HIS FOLLOWERS,TURN OFF PROPAGANDA CAMPAIGN, AND DEAL WITH LEFTIST ELEMENTS THAT WANT TO SEE COMPANY THROWN OUT OF PANAMA.

5. I ASKED ABOUT LEVEL OF TAX AFTER REVISION, NOTING THAT WE UNDERSTOOD HONDURAS HAD AGREED TO 25-CNETS PERUOX WITH FIVE-CENT INCREASE YEARLY OVER NEXT FIVE YEARS WHICH WOULD RAISE IT TO 50-CNETS AT END OF PERIOD. IT ALSO APPEARED COSTA RICA WAS QUICKLY MOVING TOWARD SAME SOLUTION. LEWIS SAID THAT FOR FACE-SAVING PURPOSES TORRIJOS WOULD LIKE TAX TO BE SOMEWHAT LARGER--"EVEN IF ONLY ONE-CENT." I SAID IT WAS MY IMPRESSION ANY HIGHER TAX THAN TWENTY-FIVE CENTS A BOX

SECRET

SECRET

PAGE 03 PANAMA 05080 01 OF 02 292346Z

MIGHT ENDANGER HONDURAN SETTLEMENT AND GIVE A COMPANY SERIOUS PROBLEM. LEWIS SAID HE UNDERSTOOD BUT TORRIJOS NEEDED SOMETHING THAT COULD BE DESCRIBED AS A LITTLE BETTER. HE THEN NOTED ONE DIFFERENCE IN PANAMANIAN AND HONDURAN SITUATIONS. IN FORMER CASE, PART OF LONG-RUN SETTLEMENT WOULD PROBABLY

INCLUDE SOME FORM OF GOVERNMENT CONTROL OVER PRODUC-

TION FACILITIES.

6. I ASKED BLUNTLY IF HE THOUGHT TORRIJOS INTENDED TO TAKE OVER PRODUCTION FULLY. HE SAID HE THOUGHT SO, THOUGH HE (LEWIS) FELT IT WAS MISTAKE. HE SAID WHAT TORRIJOS IS THINKING OF IS OVERALL GOVERNMENT RESPONSIBILITY WITH SOME FORM OF MANAGEMENT OR TECHNICAL ADVISORY ROLE FOR COMPANY FOR FIXED PERIOD. TORRIJOS WOULD ALSO WANT AGREEMENT WITH COMPANY TO HANDLE SHIPPING AND MARKETING OF FRUIT. LEWIS INDICATED IMMEDIATE TAKEOVER OF PROPERTIES WAS NOT PLANNED IF TORRIJOS FELT GOVERNMENT AND COMPANY WERE MOVING TOWARD FAIR SOLUTION.

7. LEWIS THEN WONDERED AROUND WHETHER SOME FORMULA MIGHT NOT BE WORKED OUT IN WHICH, UNDER REVISED TAX STRUCTURE, COMPANY WOULD PAY 25-CENTS A BOX AS STRAIGHT TAX WITH ANOTHER 25CENTS GOING INTO "SINKING FUND" WHICH WOULD BE USED--IN UNSPECIFIED MANNER--IN LONG-RANGE SOLUTION WITH COMAPNY. THUS, COMPANY COULD CLAIM IT WAS PAYING ONLY 25CENTS TAX WITH THE OTHER 25CENTS GOING INTO FUND THAT WOULD BE PART OF LONG-RANGE ACCROD.

8. I NOTED THAT UNDER FORMUAL WORKED OUT EARLIER THIS WEEK, I UNDERSTOOD COMPANY HAD AGREED TO PAY REMAINDER OF TAXES DUE ON FRUIT SHIPPED FROM PANAMA UNTIL JULY 24 STOPPAGE. THAT MEANT SOME \$3.7 MILLION. ALOS, I UNDERSTOOD COMAPNY HAD AGREED TO PAY WAGES DUE TO WORKERS PUT OUT OF JOBS AS RESULT OF TERMINATION OF SHIPPING. LEWIS AGREED THAT WAS TURE AND SHOWED ME DRAFT OF LETTER FROM UNITED'S TAYLOR TO MANFREDO SPELLING OUT THESE PROPOSALS. I SAID IT SEEMED TO ME THAT GENERAL AND GOVERNMENT COULD EASILY DESCRIBE THOSE CONCESSIONS BY COMAPNY AS MAJOR VICTORY FOR PANAMA LEWIS AGREED.

SECRET

SECRET

PAGE 04 PANAMA 05080 01 OF 02 292346Z

9. I THEN NOTED THAT AS LEWIS WELL KNEW WE AS A GOVERNMENT HAD REMAINED OUT OF DIRECT PARTICIPATION IN BANANA DISPUTE. HOWEVER, WE HAD URGED BOTH GOVERNMENT AND COMPANY TO REACH AMICALBE SETTLEMENT BELIEVING IT WAS IN BEST INTERESTS OF ALL CONCERNED. I COULD NOT SERVE AS ARBITRATOR WITHOUT INSTRUCTIONS FROM MY GOVERNMENT. BUT AS FRIDND OF PANAMA I WOULD LIKE TO DO ANYTHING POSJYBLE TO EXPEDITE A JUST SOLUTION. I TOLD LEWIS THAT UNITED'S VICE PRESIDENT TAYLOR HAD LEFT PANAMA THIS MORNING. BUT I SAID I WOULD UNDERTAKE TO CONVEY THROUGH TRUSTED COLLEGUES IN WASHINGTON VIEWS EXPRESSED BY GENERAL THROUH MY FRIEND LEWIS. THEY IN TURN WOULD PASS IT ALONG TO COMPANY FOR THEIR CONSIDERATION. HE EXPRESSED APPRECIATION, ONCE AGAIN UNDERLINED SENSITIVITY OF CHANNEL, AND ASKED THAT COMAPNY'S REACTION

BE CONVEYED BY ME THROUGH HIM TO GENERAL.

SECRET

NNN

SECRET

PAGE 01 PANAMA 05080 02 OF 02 292355Z

72

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W

----- 102317

O 292047Z AUG 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC IMMEDIATE 1654

S E C R E T SECTION 2 OF 2 PANAMA 5080

STADIS //////////////////////////////////////

EXDIS

10. I NOTED THAT COMPANY MIGHT SOMEWHAT CONCERNED ABOUT PROMISE TO SHARPLY REVISE TAX DOWNWARD IN SHORT PERIOD OF TIME WITHOUT SOME STRONGER ASSURANCE IT WOULD BE DONE. HE SAID HE UNDERSTOOD. HE SUGGESTED THAT IF COMPANY'S REACTION WAS POSITIVE HE WOULD PROPOSE THAT FIRM PLEDGE OF GOOD FAITH AND WILLINGNESS TO CARRY OUT AGREEMENT BE GIVEN TO ME BY GENERAL THROUGH TRUSTED HIGH LEVEL OFFICIAL OF NATIONAL GUARD. (HE MENTIONED COL. NORIEGA AS A POSSIBILITY), IF NOT DIRECTLY BY GENERAL HIMSELF.

11. COMMENT: I AM CONCINCED THAT IF GENERAL HAD MADE IRREVOCABLE DECISION TO NATIONALIZE PROPERTIES, THROW COMPANY OUT AND TAKE OVER MARKETING ITSELF, HE WOULD NOT HAVE GONE GO EXTRAORDINARY LENGTHS HE HAS TO CONVEY DESIRE TO REACH NEGOTIATED SETTLEMENT. THERE ARE, OF COURSE, SOME REAL PROBLEMS WITH PROPOSED SETTLEMENT. I IMAGINE COMPANY WILL FIND IT HARD TO RESUME SHIPMENTS UNDER DOLLAR TAX, THOUGH IT IS CLEAR THIS WOULD BE FOR VERY SHORT TIME. ALSO, IT WILL BE DIFFICULT WORK OUT SOME FORMULA THAT MEANS PAYING MORE THAN 25-CENTS A BOX, THOUGH "SINKING FUND" NOTION MERITS EXPLORATION. I BELIEVE YOU SHOULD CONVEY CENTRAL ELEMENTS ABOVE TO UNITED'S BLACK FOR CONSIDERATION. BUT UNDERLINE EMPHATICALLY THAT IT IS ESSENTIAL WE PRESEVE CONFIDENTIALITY OF LEWIS CHANNEL. I WOULD HOPE I COULD GET BACK TO LEWIS AND TORRIJOS VERY SOBN WITH SOME POSITIVE

RESPONSE FROM COMPANY, EVEN IF NOT FULL AGREEMENT. WE CAN

SECRET

SECRET

PAGE 02 PANAMA 05080 02 OF 02 292355Z

THEN JUDGE WHAT NEXT STEPS SHOULD BE AND WHAT GOP PREFERENCES
ARE IN THIS REGARD.

12. NOTE: ABOVE CONFRIMS ELABORATES ON JORDEN-
BOWDLER TELCOM THIS AFTERNOON.
JORDEN

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, EXPORTS, DISPUTES, DISPUTE SETTLEMENT, PRODUCTION, BANANAS, BUSINESS FIRMS, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PANAMA05080
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740240-0239
From: PANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974088/aaaaagcb.tel
Line Count: 236
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: STADIS
Reference: (A) STATE 186831; AND (B) PANAMA 504, 5
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 18 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANA TAX DISPUTE
TAGS: ETRD, PN, UNITED BRANDS, (LEWIS, GABRIEL), (TORRIJOS), (MANFREDO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005